



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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CORPORATION COMMISSION UNCOVERS FRAUDULENT PRIME BANK SCHEME

PHOENIX – The Arizona Corporation Commission has ordered four companies, RGD, RGD Enterprises, Inc., Bally Overseas Trading, Inc. and Progressive Financial Management, to cease and desist from violating Arizona Securities Act. The Commission found that the companies sold unregistered securities in violation of the Act and committed securities fraud. The Commission also ordered penalties and restitution.

The Commission ordered RGD, RGD Enterprises, Inc. and Bally to pay \$232,075 in restitution to investors together with interest. RGD and Bally were also ordered to each pay penalties of \$100,000 and RGD Enterprises was ordered to pay a penalty of \$50,000. Progressive Financial Management was ordered to pay \$182,250 in restitution and a \$100,000 penalty to the state.

According to the Order, Phoenix-based RGD and RGD Enterprises, Inc. raised over \$598,000 from Arizona investors in 1997. Bally Overseas Trading, Inc., a British Virgin Islands entity, participated in the transactions. Progressive Financial Management of Phoenix raised \$225,000 from investors in 1997 for an identical trading program.

The companies convinced investors that their money would be used to purchase discounted debt instruments issued by major banks. Investors were promised returns of 12 to 18 percent. They were also told that their principal would be protected through guarantees from major world banks. The companies conducted a fraudulent trading scheme and misrepresented that so-called “prime bank instruments” or “prime bank notes”

offer high returns without any risk. In fact, such instruments do not exist in the real world of domestic or international finance and are inherently fraudulent. According to the International Chamber of Commerce (“ICC”), “Prime Bank Instruments are unknown to legitimate banking institutions, and investors should be on guard when offered these instruments.”

Mark Sendrow, Director of the Arizona Corporation Commission’s Securities Division, advised that, “investors should always proceed with caution when promised suspiciously high rates of return on any investment, but especially offshore investments in foreign notes. Investors should also be wary of investments that ‘guarantee’ protection against the loss of principal. High returns and guaranteed principal are often the warning signs of fraud.”

Before investing in any program promising high returns with little or no risk, always check with the Securities Division to see whether the investment and the salesman are registered. Call the Securities Division at 602-542-4242, or toll free at 1-877-811-3878, or visit the Division web site at www.ccsd.cc.state.az.us.